



# G.research

24<sup>th</sup> Annual Aerospace and Defense Conference



September 13, 2018

# Forward Looking Statements and Non-GAAP Measures



Certain information contained in this presentation should be considered “forward-looking statements” as defined by Section 21E of the Private Securities Litigation Reform Act of 1995. All statements in this presentation other than historical information may be deemed forward-looking statements. These statements present (without limitation) the expectations, beliefs, plans and objectives of management and future financial performance and assumptions underlying, or judgments concerning, the matters discussed in the statements. The words “believe,” “estimate,” “anticipate,” “future,” “goal,” “could,” “will,” “continue,” “can,” “potential,” “should,” “project,” and “expect,” and similar expressions, are intended to identify forward-looking statements. Forward-looking statements involve certain risks, estimates, assumptions and uncertainties, including with respect to future sales and activity levels, cash flows, contract performance, future reductions or changes in U.S. government spending, achieving anticipated costs savings and other benefits of the Company’s Competitive Improvement Program, failure to secure contracts, the outcome of litigation and contingencies, environmental remediation and anticipated costs of capital. A variety of factors could cause actual results or outcomes to differ materially from those expected and expressed in our forward-looking statements. Important risk factors that could cause actual results or outcomes to differ from those expressed in the forward-looking statements are described in the section “Risk Factors” in Item 1A of our Annual Report to the Securities Exchange Commission on Form 10-K for the fiscal year ended December 31, 2017 and on our Quarterly Report on Form 10Q for the period ended June 30, 2018. Additional risk factors may be described from time to time in our future filings with the Securities and Exchange Commission. Any forward-looking statement made by us in this presentation is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

Financial data presented is derived from audited financial statements and/or unaudited quarterly reports on Form 10-Q. This presentation also contains non-GAAP financial measures. A reconciliation of these financial measures to the nearest GAAP measure is included in this presentation.

Any financial numbers provided that are not historical do not represent guidance or projections. Such figures are merely aspirational in nature and should not be relied upon.

# At a Glance

**Technology-based  
manufacturing company  
providing innovative  
solutions to aerospace  
and defense customers**

- NYSE: AJRD
- LTM 6/30/18 revenue: \$2.0B
- Diversified portfolio of programs and markets served
- Strongly aligned with customers' priorities
- Significant real estate holdings



**Space and  
Launch Systems**



**In-space Propulsion**



**Missile Defense and  
Strategic Systems**



**Tactical Systems**



**Advanced Programs**



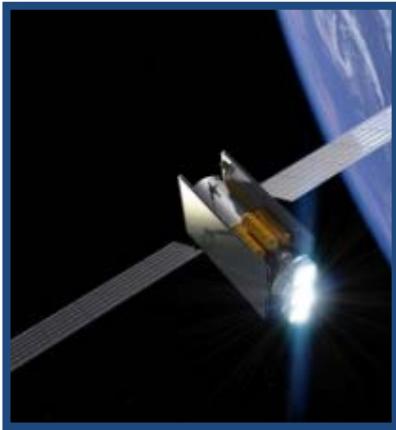
**EASTON**

# Strong Space Portfolio

Largest domestic portfolio of space propulsion and power systems

NASA's new Space Launch System and Orion programs will restore U.S. deep space exploration

Key upper-stage wins on the Vulcan and Omega next generation launch vehicles



In-Space Propulsion



Space Launch System



RL10



Commercial Space

**Supporting re-establishment of U.S. human  
space and military space capabilities**

# Strong Defense Portfolio

Liquid, solid, air-breathing propulsion systems and components for strategic, tactical and precision missile strikes, missile defense systems, maneuvering propulsion systems, precision warfighting systems

Geopolitical instability; medium and long-range missiles proliferating; threats to U.S. and allied freedom

Strong, well-funded portfolio of programs with strategically important next generation programs in development and on the horizon



Tomahawk



Standard Missile



THAAD



Patriot

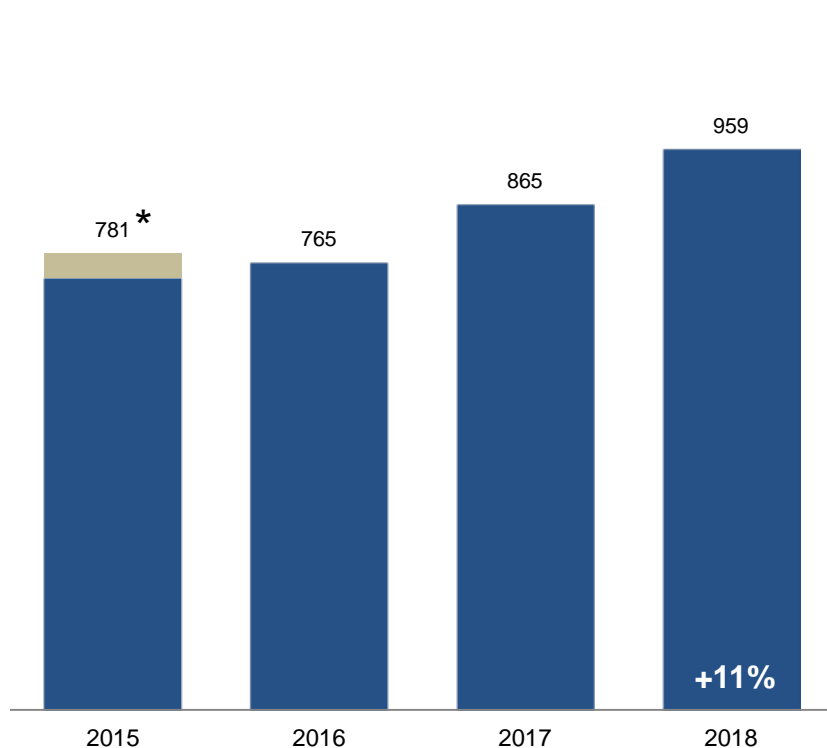
**Our products play a major role  
in providing national and global security**

# First Half 2018 Sales and Profit Growth



## Net Sales YTD June

(\$ in millions)

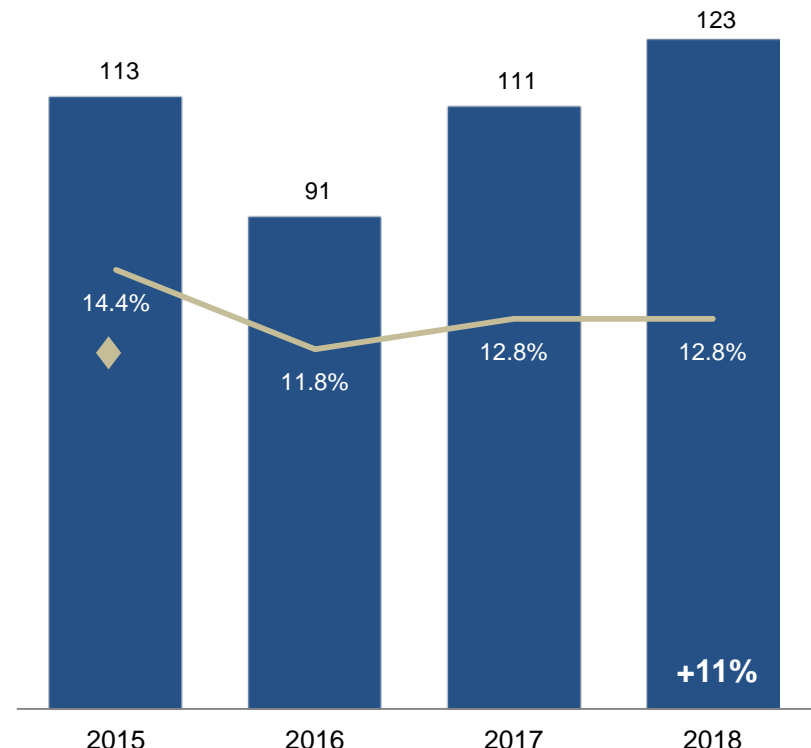


**Q2 Sales of \$467M up 2%**

\* Includes \$42 million for land sale.

## Adjusted EBITDAP<sup>(1)</sup> YTD June

(\$ in millions)



**Q2 Adj EBITDAP of \$76M up 9%**

— Adj EBITDAP as a % of Net Sales     ◆ Margin excluding land sale of Net Sales

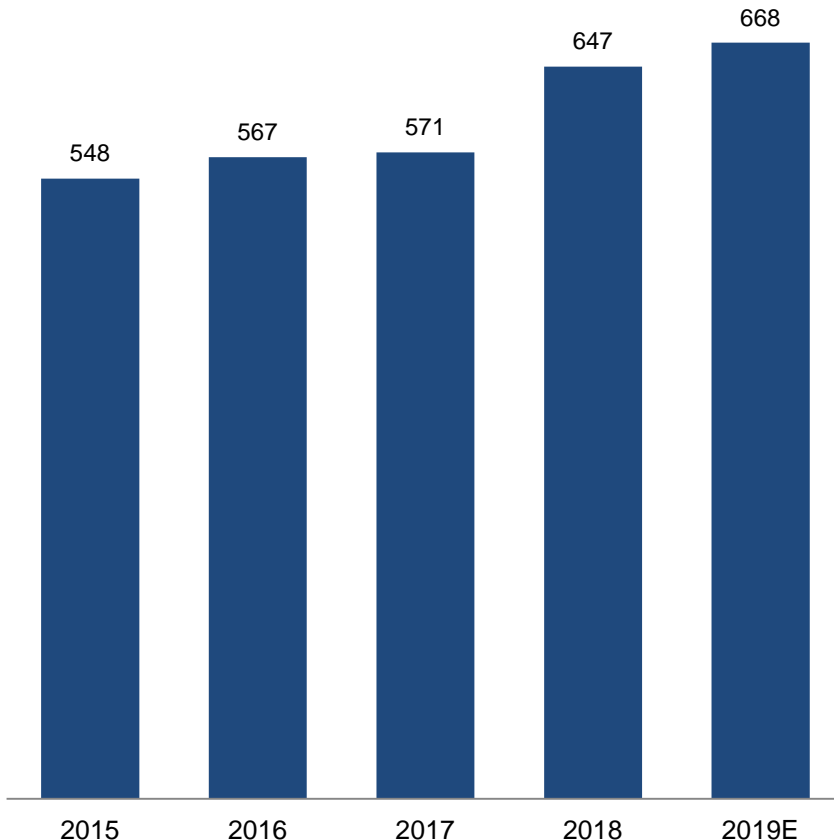
Note: In 2016, the company changed its fiscal year end to December 31. Net sales for the first half of 2015 are December 1 through May 31. Effective 1/1/2018, the Company adopted the FASB's amended revenue recognition standards (ASC 606) using the modified retrospective approach. Revenue from 2015 to 2017 recognized on an ASC 605 basis; revenue 2018 forward recognized on an ASC 606 basis.

<sup>(1)</sup> Non-GAAP Measure. See reconciliation in appendix.

# Strong Macro Fundamentals

## U.S. Defense Appropriations

(\$ in billions)



Robust 2018 and 2019 funding for important, legacy AJRD programs

Potential boost from foreign military sales

DoD is prioritizing next generation programs core to AJRD

Reinstatement of the Space Council

Strong Administration support for NASA

Note: 2015-2018 source: Joint Explanatory Statement accompanying the Department of Defense Appropriations Act. 2019 source: House Report 115-769 accompanying HR 6157, Department of Defense Appropriations Act and Senate Report 115-290 accompanying S 3159, Department of Defense Appropriations Act

**Strong funding for key programs solidifies multi-year outlook**

# Competitive Positioning



Strong backlog in a diverse set of products

Advanced technology base, aligned with our nation's critical needs

Proven manufacturing capability and expertise

Driving continuous improvement and operational excellence



**Well-positioned for next generation franchise programs**



# Investing in *Today's* Aerojet Rocketdyne



**Strong Macro Fundamentals**

**Solid Industry Foundation and Technical Leadership**

**Diversified, Well-Balanced Portfolio to Compete Effectively in Today's Market**

**Significant Operational Improvements to Drive New and Existing Programs**

**Focused on Revenue and Profitability Growth to Enhance Shareholder Value**

# APPENDIX

# Reconciliation of Non-GAAP Measures



(\$ in millions)

	Six Months Ended		Six Months Ended June 30,		Three Months Ended June 30,	
	May 31, 2015	2016	2017	2018	2017	2018
Net Income	\$ 14.0	\$ 11.0	\$ 30.2	\$ 48.8	\$ 24.3	\$ 34.8
Income tax provision	14.1	9.1	15.2	17.2	11.9	12.5
Interest Expense	26.6	21.5	15.2	16.4	7.8	8.3
Interest Income	(0.1)	(0.3)	(1.3)	(3.6)	(0.8)	(2.0)
Depreciation and Amortization	32.4	30.5	35.4	35.4	19.1	17.7
GAAP retirement benefits expense	33.8	34.4	36.6	28.8	18.3	14.4
CAS recoverable retirement benefits expense	(8.3)	(15.9)	(19.7)	(20.0)	(9.9)	(9.9)
Unusual items	-	0.2	(0.9)	-	(1.3)	-
<b>Adjusted EBITDAP</b>	<b>\$ 112.5</b>	<b>\$ 90.5</b>	<b>\$ 110.7</b>	<b>\$ 123.0</b>	<b>\$ 69.4</b>	<b>\$ 75.8</b>

	Six Months Ended		Six Months Ended June 30,		Three Months Ended June 30,	
	May 31, 2015	2016	2017	2018	2017	2018
Net cash provided by operating activities	\$ 29.9	\$ 4.1	\$ 37.7	\$ 24.5	\$ 40.8	\$ 119.9
Capital expenditures	(9.4)	(19.5)	(6.1)	(12.2)	(3.4)	(8.1)
<b>Free Cash Flow</b>	<b>\$ 20.5</b>	<b>\$ (15.4)</b>	<b>\$ 31.6</b>	<b>\$ 12.3</b>	<b>\$ 37.4</b>	<b>\$ 111.8</b>

	May 31, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Debt principal	\$ 717.9	\$ 645.0	\$ 680.0	\$ 661.8
Cash, cash equivalents and marketable securities	(253.5)	(183.7)	(413.6)	(559.6)
<b>Net Debt</b>	<b>\$ 464.4</b>	<b>\$ 461.3</b>	<b>\$ 266.4</b>	<b>\$ 102.2</b>

Adjusted EBITDAP is used to measure our operating performance. We believe that to effectively compare our core operating performance from period to period, the metric should exclude items relating to retirement benefits (net of amounts that are recoverable under our U.S. government contracts), significant non-cash expenses, the impacts of financing decisions on earnings, and items incurred outside the ordinary, on-going and customary course of our operations.